



## Pre-close Trading Update 6<sup>th</sup> Dec 2006

### Presenters

- Sir Fred Goodwin
- Guy Whittaker

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**Operator:** Good morning ladies and gentlemen. Today's conference call will be hosted by Sir Fred Goodwin, Group Chief Executive of RBS. Please go ahead Sir Fred.

**Sir Fred Goodwin:** Good morning everyone. Thanks for taking the trouble to call in. I'm sure you've had the opportunity to at least quickly read our Pre-Close Trading Update. I've got Guy with me this morning who will be happy to try and answer any questions that you might have in relation to it. In the ordinary way we've tried to be fairly straightforward in what we are saying; there are not intended to be any hidden messages or themes in here. The announcement's a little bit longer than usual to allow to us to explain how we're getting on at ABN Amro and also to set out our respective positions in relation to the credit markets and the write-downs that we've taken again, so I hope you find that that's helpful.

The picture it presents of the Group, I think, is both clear and strong. We are expecting to deliver results well ahead of market consensus for old RBS; and even stripping out the credit write-downs and the gains we still expect to be comfortably ahead of consensus. ABN Amro earnings after provisioning on the RBS basis consistent with the previous guidance; and the integration of ABN is itself progressing well. I think the themes are pretty clear from the announcement - I hope that they are very clear from the announcement - and perhaps the best use of our time now is for me to throw the call open for any questions that you might have, if someone would like to open the batting.

**Operator:** Thank you sir. Ladies and gentlemen, if you would like to ask a question please press the \* key followed by the digit 1 on your telephone keypad. We will pause for just one moment to give everybody an opportunity to signal for questions. Your first question is from Carla Antunes of JP Morgan; please go ahead.

**Carla Antunes:** Hi, good morning; I've got a couple of questions please. In terms of your comments regarding the better financial returns from ABN, can you please disclose what the adjustments have been to your total investment, and also more specifically have you made any change to your original assumptions in terms of what you guided us on the CAGR of 8% income, 6% on the costs, 10% on the provisions? And I have a second one on the capital please.

**Sir Fred Goodwin:** The second part of your question doesn't ring any bells with me Carla; the first part of it we'll be getting round to that when we provide a more detailed update in February. But in short, we're seeing the synergies both revenue and cost; we've already surpassed in terms of the things we've got banked, as it were in terms of our confidence about the delivery, greater numbers than we had published at the time of bid. We're also seeing good growth in the underlying business, especially in Asia. So that's really the

premise for the comments that we've made; we think the return on investment will be higher than we posted and the EPS also; the accretion would also be higher.

**Carla Antunes:** And when you mention higher will it also be faster?

**Sir Fred Goodwin:** I didn't say anything about the speed at this point actually; I said it would be higher.

**Carla Antunes:** And just a further question in terms of your Royal Bank pro forma Q1 target of 4.25%, have you made any change to that?

**Sir Fred Goodwin:** No, it could be a similar sort of order of magnitude depending on precisely where the year-end balance sheet shapes up Carla.

**Carla Antunes:** Okay, many thanks.

**Operator:** Your next question's from Mike Trippitt of Oriel Securities; please go ahead.

**Mike Trippitt:** Good morning; just two questions: you've talked obviously about the noticeable gain on the sale of Southern Water; I just wondered if you could comment broadly on other gains in the second half? The second question, I just want to be clear, the ABN write-down; you are taking that as effectively as an additional impairment to the capital base, I guess, post acquisition; that's not being taken through the income statement?

**Sir Fred Goodwin:** The last point, Michael, going into capital; whichever which way you take it.

**Mike Trippitt:** Sure, but what I mean is it's not going through the income statement.

**Sir Fred Goodwin:** No, I think the ABN [unclear] would go through; it would be a fair value adjustment.

**Guy Whittaker:** It'll be in the stand alone, ABN EPS numbers, and it will be a fair value adjustment through the consolidated RBS.

**Sir Fred Goodwin:** On the gains question, Mike, Southern Water is very much the bulk of it. There are some odds and ends from the London Stock Exchange shares we sold and there's some Mastercard gains which were all on the 'wanted to do' list as part of the ABN Amro funding.

**Mike Trippitt:** Okay, thank you.

**Operator:** Your next question's from Jon Kirk from Redburn; please go ahead.

**Jon Kirk:** Good morning. I wonder if we could look forward to 2008 a bit; obviously you've given some reasonable detail on the trends and some of the key drivers in the 2007 P&L, but if you look out to 2008, and I guess possibly beyond that; are the trends of gentle decline in margin stability and asset quality and so on, are they likely to persist in your view? And in particular if you could comment on any forward looking indicators you have in the asset quality area; that would be great, thank you.

**Sir Fred Goodwin:** Predicting the future's always quite a hazardous thing, Jon, and it feels predicting 2008 is not for the fainthearted and going beyond that again would seem a leap of faith at this point; it doesn't feel appropriate in the context of our pre-close trading update. But I think there should be some comfort coming from the trajectory which we're seeing in the underlying numbers here. 2007 was by no means a straightforward year for some of our businesses, but the diversity of businesses that we have, and the diversity of income streams has helped us to come through the position where we're well ahead of consensus. As a result of the acquisition of ABN Amro we now find ourselves with an even more diverse range of businesses and importantly businesses which are involved both in day-to-day bread-and-butter activities such as transaction banking. But we're also involved in some of the fastest growing markets in the world at this point; so we would approach 2008, and the future generally, with more optimism than we had prior to the acquisition of ABN Amro. But, like everyone else, we're waiting to see just precisely how things turn out; there are some big uncertainties out there at the moment.

**Jon Kirk:** So there's nothing that catches your eye particularly in your forward-looking asset quality indicators at the moment?

**Sir Fred Goodwin:** I think we would all recognise that industry generally has enjoyed a period of very benign circumstance in terms of credit and we're sure that will normalise in some way going forward. But by the same token we've also enjoyed a period - to one of your other comments - where margin decline it seems to me is the cost of money has gone up, that's going to find its way back into the equation more than it has over recent years as well.

**Jon Kirk:** And just a quick one on the dividends; are you expecting to meet market expectations for the dividend next year, or is there any change in policy about that?

**Sir Fred Goodwin:** Completely business as usual, Jon, and dividends are a very important number to us and our shareholders and it will be strictly business as usual.

**Jon Kirk:** Thank you very much.

**Operator:** Your next question's from Michael Helsby of Morgan Stanley; please go ahead.

**Michael Helsby:** Gentlemen, it's Michael Helsby from Morgan Stanley. I've just got a question on the other income line; the number that you reported last year was about 1.3 billion and I was just wondering if we include Southern Water to that this year, what type of gains should we be expecting for 2007? And I was wondering if you could be so kind as to give us some guidance in terms of where you'd expect that to drop in a good market in 2008?

**Sir Fred Goodwin:** I think we signalled last year, and I know Johnny particularly signalled at the time of the results last year, that's a declining trend in that number and the guidance we gave this year was a number probably round about the four digit number. In fact, as a result of the Southern Water gains, we're going to come in almost double that number. Taking Southern Water to one side you're going to come in maybe just under the 1 billion mark this year, which would be, I think, quite a good number if you were plugging it into a model anywhere. You'd probably see next year it is a little bit down from there.

**Michael Helsby:** Yes, thank you. And your comments on Citizens in terms of the provisioning; I was just wondering if you could expand on that in terms of which parts of the portfolio you're actually seeing a more normal level of bad debt and how you'd expect that to trend forward?

**Sir Fred Goodwin:** I'm only going to say what is in the announcement there's been some stuff related to the changes in the real estate market in the US and we're seeing a trending towards a more normal level of cost.

**Michael Helsby:** And what do you call a more normal level?

**Sir Fred Goodwin:** Normal, higher than it was today; I would say higher than it's been in recent years; I wasn't putting a number on it at this point. If you look back over time it's been in a 40-60 basis point zone.

**Michael Helsby:** The commercial property and commercial loan books which you've been trying to expand – or have expanded – you're not seeing any impact in there just yet?

**Guy Whittaker:** Performing well, Michael, in terms of any issues, or emerging issues there.

**Michael Helsby:** Okay, thank you very much.

**Operator:** Your next question's from Peter Toeman of HSBC; please go ahead.

**Peter Toeman:** Hi, I wondered if perhaps you could give us some clarity on the underlying performance of the global markets business. Because if you go back to the halfway stage, the revenue growth was just short of 20% and I think in your commentary today you're talking about a good performance. So it seems as though on an underlying basis the performance of global markets may have slowed considerably in terms of underlying revenues; I wonder if you could maybe put some colour on that?

**Sir Fred Goodwin:** You pretty much answered your own question, Peter. It has slowed and for the reasons I think everyone would understand and expect. But I still think we've come in at quite a good number for the second half and a number down in a lower zone. I mean I'm sorry that's not very helpful. I'll try and be more helpful. There has been lots of publicity and coverage on the pressures in some of our businesses. We've got other businesses - like rates and currencies for instance - where we've seen very, very strong, performance. Sometimes people just forget the breadth of GBM and our Corporate Markets business more generally. So I think you're going to start to see; we're pleased with the result we're delivering this year, underlying.

**Peter Toeman:** Are there any messages for 2008, based on what you've seen from the third and fourth quarters of this year, in terms of any structural changes in the performance of those businesses?

**Sir Fred Goodwin:** I think, yes, you're seeing some of the obvious suspects coming under pressure as a result of market circumstances; there is less business out there being done, so it's hard to be doing business that isn't there being done. Whereas our business grows, and one of the things you'll see in this years results is continuing strong growth of our GBM business in Europe; continuing strong growth in Asia; and obviously the addition of ABN Amro and not least the transaction services business coming into this, opens up quite a range of opportunities for us going forward. So I think you'll see the mix changing within GBM - you'll see that for sure. And that feels, particularly the greater exposure to emerging markets, feels like a useful thing to have next year.

**Peter Toeman:** Thanks.

**Operator:** Your next question's from Tom Rayner of Citigroup; please go ahead.

**Tom Rayner:** Good morning, it's Tom Rayner from Citigroup here. Could I just ask for some clarification on some of the capital guidance? Specifically I'd like to get an idea of the total net issuance of Tier 1 in the second half; also what sort of risk weighted asset growth you're seeing in the second half and whether that has picked up from the level you might have expected before the credit crisis began? And also going forward what part you think disposals, in addition to the ones we already know about, what sort of part might that play in your capital planning as a whole both Tier 1 and, obviously, equity Tier 1 levels would be helpful? Thanks.

**Sir Fred Goodwin:** Answering those in the reverse order, Tom, there are no assumptions in there of any further disposals; none of the guidance we've given today is hinged on any further disposal. As you know, for instance Angel Trains is out there; if we sell it, we sell it, if we don't, we don't. We're actually quite encouraged by the level of interest being shown in it, but it's quite premature at this point to conclude that there is going to be a sale, so we've not made any assumptions that that's going to happen in the numbers that you see in front of you today. We'll be kicking around ABM Amro; there are some odds and ends that might get sold as we tidy out the portfolio. I think again it's something we signalled earlier on; nothing to write home about, or nothing that's assumed in the numbers that we're talking about today. In terms of risk-weighted asset growth, I think we'll be looking at risk-weighted asset growth; I've got a year-to-date figure and I think that's got a cumulative position in mind, which would be very low double digits matched almost precisely by deposit growth.

**Guy Whittaker:** And you mentioned issuance, Tom, we issued €6.2 billion of Tier 1 in the second half of the year. That was all done around the end of September, beginning of October, related to the financing of ABN and it was €5 billion institutional and €1.2 retail.

**Tom Rayner:** And I guess as with disposals...

**Guy Whittaker:** That's in Euro terms.

**Tom Rayner:** And I suppose it's the same as with the disposals; the guidance today doesn't assume any additional issuance before the year-end.

**Guy Whittaker:** The target capital ratios remain the same - the mid sevens - and over time bringing gearing back down to the 30% or less.

**Tom Rayner:** Thanks; could I just have a quick one on the write-downs, because I think it's an issue that's been blown up out of all proportion in any case, but just on what you have written down on the mezzanine CDO for instance, the size of your write-downs seems a

bit lower than some of the other banks out there. I just wondered how conservative you think you've been, or are you limited by auditors, etcetera, in exactly how much you can write down these exposures?

**Sir Fred Goodwin:** I have some sympathy with the comment, Tom, but firstly it wouldn't be our suggestion, I think, that we're lower than others because there's quite a range of these. As you know yourself, the vintage is important, so when they were written, what age they are, as to how much of a write-down you would take. Also there's quite a bit of difference to which state you're exposed to, so there's a complicated model here that's gone loan-by-loan, state-by-state and gone through to calculate where we're at. So, we feel these are pretty conservative, that's not to say it's impossible that they could go up. But we've tried to be prudent in our judgement; used all the data available at this point in time would be what we consider to be prudential adjustments to the calculations and projections we've used to project, because as you will well appreciate we're trying to project what we think the total delinquencies over the life of these instruments will be, and as ever there can be vagaries in all of that, but we've tried to be prudent with it. It does make it difficult to compare between organisation A and organisation B.

**Tom Rayner:** Okay, thanks a lot for that.

**Operator:** Your next question comes from Leigh Goodwin of Fox-Pitt Kelton; please go ahead.

**Leigh Goodwin:** Good morning gentlemen; just on the write-downs again, I wondered if you could just clarify - you've not mentioned anything about SIV exposures - is that simply because you don't have any SIV exposures.

**Sir Fred Goodwin:** We've specifically stated that in both cases; just to be clear we have no exposure to RBS or ABN Amro.

**Leigh Goodwin:** Thanks; and then secondly just on conduits; you mentioned your own conduits are fully funded externally I think, you said there's a strong demand for the commercial paper for those conduits. I just wonder whether you can give us a comment on the contingent exposures of ABN, because it does provide quite extensive liquidity facilities to conduits and could you just tell us what the position is there please.

**Sir Fred Goodwin:** Again I think it's going to be covered by the comment at the end of the ABN Amro section in the document that you have less than 0.5% of the assets in their conduits related to US sub-prime and the demand for their conduits remains very strong indeed.

**Leigh Goodwin:** So all of the funding for both your own and ABN facilities is currently externally provided.

**Sir Fred Goodwin:** For all practical purposes, yes.

**Leigh Goodwin:** And therefore there's no capital impact in your own balance sheet, or ABNs at the moment, from those conduits?

**Sir Fred Goodwin:** Yes.

**Leigh Goodwin:** Back to the question at the start on ABN; it all looks very positive in terms of the outlook and I suppose it's just getting a better flavour for why that is. Normally one thinks that two wholesale banks together will see some revenue attrition and we don't seem to be seeing any here, or there doesn't seem to be any expected, and I wonder if you could just comment on why the fit's so good perhaps here. Are we not likely to see any attrition in this instance?

**Sir Fred Goodwin:** I think first of all they're not wholesale banks; that would be observation number one. Observation number two was, in our numbers we did assume there would be some attrition, though what we're seeing at this point is that we think a combination of factors, we think the cost synergies will be better than we envisaged; we think the revenue synergies will be better than envisaged; and we think the underlying performance of the business, most notably in Asia, looks as if it is going to be better than expected. There's a great complementarity geographically, and in terms of products, across these businesses. So a combination of factors rather than any one single thing, but we did assume there would be attrition in our initial projections, and there's nothing that has come to light that would suggest that that attrition is going to be any greater than the numbers we assumed. There's more to this than just two wholesale banks coming together. It is just transaction services business; ABN Amro is a big, big international money transmission business. It does very well and it's highly complementary to the RBS business.

One of the ongoing issues for us, and it's not so much of an issue right now, but separating out whether progress is a revenue synergy, or whether it's just an improvement to base case; as problems go that doesn't seem like too big a problem, or too bad a problem, but there's a good feel about that at the moment.

**Leigh Goodwin:** Okay, thank you.

**Operator:** Your next question comes from Mamoun Tazi of MF Global; please go ahead.

**Mamoun Tazi:** Yes good morning gentlemen; a follow-on question on the write downs. I just wanted to understand if your write-downs were based on mark-to-market or mark-to-model; and also when you look at some of the values after the write-downs - 90% for high grade and 17% for mezzanine - some of your competitors have pushed their write-downs a bit lower and I wanted to know what your thoughts were on that?

**Guy Whittaker:** The model piece relates to the super senior CDO tranches; the inventory referred to in the appendix is related to market observable prices. The same would be true for the leverage loans to the extent there are market comparables and benchmarks that have been used; and I think one of Fred's earlier comments on the approach to the modelling and the valuations that have applied is, I am not sure if there is anything more to add to that.

**Mamoun Tazi:** And in terms of the....

**Sir Fred Goodwin:** And I think we do sit quite well in a range of numbers used, again, just to be clear. Looking at the actual percentage mark-downs, there's a range of numbers out there and these sit quite well in the range. But I reiterate the comments I made earlier, I don't think it's all that easy to compare one institution with another.

**Mamoun Tazi:** I was expecting a bit more comment, especially about the 2006 vintage; those seem to be more at risk than the 2004 I agree, but...

**Sir Fred Goodwin:** I would agree with that; I think the general drift is the more recent the vintage the greater the potential issue, but we do say in our remarks the bulk of this was written 2004, 2006.

**Guy Whittaker:** The bulk of it was late 2004, 2006, in the second paragraph of the appendix.

**Mamoun Tazi:** Yes, I saw that and so you have some 2006 vintage?

**Sir Fred Goodwin:** Yes, I mean the vast bulk of what we've got there is pre-H2 '06.

**Guy Whittaker:** So the first half of 2006.

**Mamoun Tazi:** Okay; thank you.

**Sir Fred Goodwin:** Thanks.

**Operator:** Your next question is from Sara Rahni of BNP Paribas. Please go ahead.

**Sara Rahni:** Yes, hi, Sara Rahni BNP Paribas. I have one question on the dividends side; can you expand more on the dividend outlook for fiscal year '07 paid in '08; will it depend on the Chairman's guidance, or will it be a payout on the earnings? Thank you.

**Sir Fred Goodwin:** I think the comment I made earlier on in the dividend is business as usual; the guidance we've given in the recent past has been that we would anticipate a payout ratio in the mid 40%, and there's no change. Obviously the Board would quite rightly reserve for themselves the final decision on dividend, but the guidance we've given in recent years has been they were heading toward that space and we got to it with last year's dividend, where I think it was a 46% payout ratio; that's the kind of zone we anticipate being in.

**Sara Rahni:** Thank you.

**Operator:** Your next question is from Bruce Packard of Pali; please go ahead.

**Bruce Packard:** Yes, good morning; I was just going to say maybe it's a slightly philosophical point, but you do seem to have done quite a good job at selling on the risk, but implicitly someone else has bought this and presumably that's going to question revenue growth going forward in those kinds of areas.

**Sir Fred Goodwin:** I am not sure what kind of areas you're talking about?

**Bruce Packard:** The whole structured credit.

**Sir Fred Goodwin:** I think probably part of the message here, Bruce, is that there's a lot more to our business than structured credit. 2007 has not been a great year for structured credit - the second half has not been - but we're still delivering good underlying earnings trajectory, because we have got a variety of other businesses in there, and in the same way structured credit has run into more difficult conditions. The rates and currencies business I was talking about earlier have had very favourable conditions, so across the piece, I think the prospects for business are still there.

**Bruce Packard:** Okay, thanks.

**Operator:** Your next question is from Jonathan Pierce of Credit Suisse; please go ahead.

**Jonathan Pierce:** Hello, just one question; I was wondering if you could give us any detail on the size of your CMBS exposure, including what ABN might have and whether there are any markdowns mark-to-markets in the '07 numbers coming through.

**Guy Whittaker:** Sort of flicking through it, nothing that we feel compelled to draw to your attention; otherwise we would have done it. I think a little bit less than 4 billion in notional amounts; untidy write-downs as and where they'd seen fit, but that would be under the ordinary course of business headings.

**Jonathan Pierce:** Say 4 billion of CMBS exposure, that's across RBS and ABN is it?

**Guy Whittaker:** That's on the RBS piece.

**Jonathan Pierce:** Okay; do you have an idea of the ABN bit?

**Guy Whittaker:** Off the top of my head no; let me have a flick through and we'll take another question. If I get a number I will come back to you.

**Jonathan Pierce:** Thank you.

**Operator:** Your next question comes from Florence Taj of MFS; please go ahead.

**Florence Taj:** Yes, good morning; I was wondering if you could give us an update on the state of the ABN assets between you and Fortis in the Netherlands. And also give us a sense of whose going to bear responsibility for the conduits eventually for funding those vehicles? That's the first question.

**Sir Fred Goodwin:** First question, Florence, is the progress and the split is going well; it's very clear how the business splits in the Netherlands between us and Fortis. The more challenging aspect was how you achieved that split in terms of the underlying systems and processes. Again, without wishing to oversimplify a complex discussion, it would be our assessment at this point that there is a clear way forward and it is perhaps more straightforward from a systems point of view than we thought at first flush, but that's not to say there isn't a lot of work still to be done. So that's where the conduits, I believe, would fall into the RBS part of the business going forward. As we mentioned a moment or two ago those are fully funded in the market at this point. They're very short duration, a lot of the exposures we've got there and it is consumer.

**Florence Taj:** The other question is if you look at RBS' division in the league tables in terms of high-grade and mezzanine issuance in the second half of '06 and 2007, you were ranking

very high, which led everyone to speculate that the write-downs and the inventory would be massive. I am just curious as to how you managed to go from that league table position to the remaining exposure that you have. I am just wondering who was buying the securities, and maybe the league tables themselves are misleading.

**Sir Fred Goodwin:** There's always, I think, a note of caution deserved around league tables, Florence, but one way or another we were big players in this. But it was as packagers not as holders; so our model was always that we were taking and packaging and passing on; we were never in this as investors. There are odds and end lying around as you go through - work in progress if you like - the league tables probably implied a massive participation in the process, but I don't think they ever implied a massive exposure. We were selling this stuff on, and actively selling it on, as an integral part of the business model; we were never holders of this.

**Florence Taj:** Because the perception was that the market for the securities shut down, probably at the beginning of 2007, so there's a big disconnect there in terms of what you were able to do and...

**Sir Fred Goodwin:** I don't think so Florence, we were never holding the stuff.

**Guy Whittaker:** Florence, just looking at some league table data I have here would see us with about a 3% market share in the period January to October 2007, and we see ABN with about 1.5% market share.

**Florence Taj:** I've seen different league tables; that's why I'm saying you know...

**Sir Fred Goodwin:** The league tables are about who is originating what and from who's holding it Florence, so it's not the case that we had a big on balance sheet position at the start of the year that we sold down; we just haven't had a big on balance sheet position.

**Florence Taj:** Okay, that's all from me, thank you.

**Sir Fred Goodwin:** Thanks.

**Operator:** Your next question comes from Michael Helsby of Morgan Stanley; please go ahead.

**Michael Helsby:** Yes, morning again gents; I was just following up on a couple of points of clarification. In the gains that you talk about, initially when you're netting them off against the losses, can you just clarify what gains you're taking on in addition to Southern Water;

and whereabouts in the P&L -i.e. division - the gains are actually sitting. And I've just got a follow-on question on the write-downs if I can.

**Sir Fred Goodwin:** Southern Water springs to mind. The business sits in GBM, and MasterCard and the London Stock Exchange would sit in the centre; that's about it really. There are some other odds and ends but nothing worthy of mention.

**Michael Helsby:** Okay, thank you; and just on the leveraged loan mark that you've taken of £250 million; you haven't given us the gross exposure there which you've taken that against, could you give us...

**Sir Fred Goodwin:** Well we've taken provisions of £250 and we've also taken more out of fees.

**Guy Whittaker:** The £250 is a net write-down, so the gross write-down if it's going to be larger than that it's going to be netted against the fees.

**Michael Helsby:** But the actual amount of loans that you have got left on the balance sheets.

**Sir Fred Goodwin:** It's about between 12 and 13 sterling.

**Guy Whittaker:** I think it's come down about 10% or so since the mid-year Michael; I think we've categorised the market as thawing. There is business being done and loans are selling down; its subdued activity, but certainly activity going on there.

**Michael Helsby:** Thank you very much.

**Operator:** Your next question is from Antony Broadbent of Sanford Bernstein; please go ahead.

**Antony Broadbent:** Good morning; I wonder if I could ask you to comment on the current liquidity squeeze that's driven the LIBOR and base rates spread to blow out again, and particularly what you think is driving it this time and when you expect things to settle down more to more normal levels?

**Sir Fred Goodwin:** My guess would be as good as yours, Antony. We feel we that we're in a good position in relation to liquidity and there is a clear flight to quality there. But we observe the market conditions in the same way as you do and I think there are many theories out there as to what is causing what. I think it's hard to imagine that the year-

end doesn't in some way exacerbate what's going on, but equally we're not assuming everything just snaps back to normal five minutes after midnight on the 31<sup>st</sup> December.

**Antony Broadbent:** I wonder if I can just ask you a second question about the Antonveneta sale. In particular I'm wondering when you learned that Santander were going to sell Antonveneta, and how you feel about them using your balance sheet to make a turn on that business.

**Sir Fred Goodwin:** They are not using our balance sheet to make a turn; Santander ponied up the full price on Antonveneta, which you may remember market commentators thought they were grossly overpaying for it. They ponied up the cash; it was their business; they took all the heat and raised it all to buy Antonveneta, and they sold it at a profit.

**Antony Broadbent:** That didn't go through RFS?

**Sir Fred Goodwin:** It does go through RFS, but it's for the account of Santander. I mean it hasn't actually happened yet; it hasn't completed as yet. But it's a Santander asset, and Santander had the opportunity to sell it; we had plenty notice that they were doing that and I think it was a good move by Emilio.

**Antony Broadbent:** It seems that the consortium is benefiting obviously from the LaSalle sale and Santander is benefiting exclusively from the Antonveneta sale; it looks a little bit out of balance.

**Sir Fred Goodwin:** That's not how it works; RBS principally benefited from the LaSalle sale, so that's not right.

**Guy Whittaker:** We are the sole beneficiary of the sale and proceeds of LaSalle; they accrue entirely to us. The sale and proceeds of Antonveneta would likewise accrue to Santander.

**Sir Fred Goodwin:** I think if anything it would be odd were it to be otherwise.

**Antony Broadbent:** I hadn't appreciated that was the way it was; I appreciate you clarifying that, thank you.

**Sir Fred Goodwin:** Great, thanks.

**Operator:** Your next question is from Sandy Chen of Panmure Gordon; please go ahead.

**Sandy Chen:** I've got two questions, just a follow up again on the write-downs; just to be clear, the write-downs that you've announced today, are they all that you expect through the end of '07, or the end of '08; is there a timetable on there?

**Sir Fred Goodwin:** The way that the write-down works, Sandy, is the model attempts to predict what it thinks delinquency will be across the life of the instrument, because it's important that if delinquency stopped at its current level, we wouldn't lose any money. The question here is there is a belief that delinquency will carry on and reach levels which would cause us to lose money; and so in our models we've used the delinquency data to date, and we've modelled going forward what the rate of delinquency looks like and what the total level of delinquency might reach, and based on that have come up with a calculation of what the losses would be. So if delinquency from here unfolds in line with those models, then these are all the provisions we would need. But there are a great many moving parts in there, and in each case we've tried to make conservative assumptions as to what might happen and we've come up with the provisions we've got today. And if all of those things come true and the headroom we've got there is not absorbed, then we would not expect any further provisions.

**Sandy Chen:** So it's fair to say that it takes into account all the information that's available as data at this point?

**Sir Fred Goodwin:** As we see it at this point.

**Sandy Chen:** The second question is - you might not be able to answer this question - but getting back to the conduits within ABN. Our focus is particularly on the CPDO vehicles, the Surf and Chess vehicles that have been downgraded recently by the rating agencies; could you give us an idea of the exposure to these, both in terms of balances and any swap counter party agreements, i.e. the leverage in these vehicles?

**Guy Whittaker:** I think there are a couple of points, it's not a conduit, it is a CPDO; so they've got nothing to do with each other. It's a notional amount of about some \$3 million, I believe, and it's continuing to perform very well through the market conditions that we've just experienced, so there are no concerns with it at this point in time.

**Sandy Chen:** And the swap, because usually those CPDO vehicles had a leverage limit of 15 times, so what's your estimate of the potential swap exposure?

**Guy Whittaker:** I believe its 9 or 10 and it's all within limits.

**Sandy Chen:** So at this point you don't see any concerns, even given the downgrades of CPDO vehicles, well not just with yourselves, but with UBS and others?

**Guy Whittaker:** No, getting back, the trading statement has been to try to share with you all the material information, so that there is nothing in CPDO that is causing us any concern.

**Sandy Chen:** Thank you.

**Operator:** Your next question is from James Alexander of M&G; please go ahead.

**James Alexander:** I've got a couple of questions. On ABN Amro's inventory of the mezzanine CDOs, did they ever have any and you've taken the write-down and therefore that's why you've got no data, or they never had any, so there weren't any write-downs. What was going on there?

**Guy Whittaker:** I think it's the 'never had any' James.

**James Alexander:** Never had any?

**Sir Fred Goodwin:** Never sounds a bit extreme, but certainly not...

**Guy Whittaker:** Not to our knowledge did they ever have any.

**James Alexander:** It seems that it is a quite a small exposure at ABN Amro, given their large mortgage origination business that they had, or did that all go with the sale to Bank of America?

**Guy Whittaker:** There's a difference here, I guess mortgage origination and sort of structured credit, and they were relatively small claims in structured credit.

**James Alexander:** Just on the Bank of England and the general situation in the money markets; you talked about it a bit. You couldn't just talk about whether you think the Bank of England is doing enough to ease the money market situation in the UK? My impression is that there is still a bit of a lack of confidence in the UK banks following the Northern Rock debacle; and that more needs to be done somehow by the authorities in the UK to settle people down around the world about UK banks. Is that your impression?

**Sir Fred Goodwin:** It sounds like a bit of a hospital park to me, James, and I think there has been plenty written about the roles of the Bank of England and others and all of this. I think it is not a great advert for the UK financial system that what happened in Northern

Rock happened, but it's nevertheless; none of the investors have lost any money at this point which is helpful; but I don't think I want to wade into what I think is essentially at this point a political debate. We are fine; we are moving forward; we are seeing tighter conditions in the market, but we're in a good position and we feel able to go about our business, so we should be, I think, thankful for that.

**James Alexander:** I concede that you are fine from what you've been saying, but speaking about UK banks and the impression of UK banks worldwide, because that's contributing to the money market troubles that we are seeing at the moment.

**Sir Fred Goodwin:** James it's clearly not helpful, I agree with you there; it would be much better if that had not happened, but it happened and I think it's important that we move on and that we learn the lessons to be learned and move forward. But it would be much better if it hadn't happened from the point of view of the perception of the UK financial services industries; no doubt about that.

**James Alexander:** Just one last question on commercial property; you've had a lot of growth in commercial real estate lending over the last few years and ABN Amro has been quite big in that as well; just a couple of questions; one on detail, how much UK commercial real estate lending do you take on from ABN Amro; and how much European commercial real estate lending do you take on from ABN Amro? Because we can't really see that from the ABN Amro figures; what goes to domestic, what goes to Fortis and what goes to you. And secondly, are you comfortable given the falling values we're seeing in commercial real estate with the quality of your goods and the expectations of strongly falling values in commercial real estate?

**Sir Fred Goodwin:** Just to go back over the ground in commercial property James, the proportion of risk weighted assets that were referred to commercial properties has been pretty stable over the piece. Loan-to-valuation, as we sit here today, remains roundabout 66% or thereabouts - two-thirds - interest cover just under two times. I think the one in the past that's caused a lot of angst in commercial properties is when there has been a lot of speculative development they were financing. And I can't remember whether it is 1% or 2% of the exposure, but it's actually at an all-time low. So, yes, we're watching the commercial property market carefully, but it does feel as if we are quite conservative; we've positioned into it. As a part of our business it hasn't actually been growing all that dramatically, it's a very constant proportion.

**James Alexander:** It looks quite a lot from the annual report figures about the exposure to commercial real estate and construction property....

**Sir Fred Goodwin:** It has been at similar levels for quite a long time now.

**James Alexander:** And what are you getting from ABN Amro out of the Dutch business and out of the wholesale business?

**Guy Whittaker:** Very little in the UK, James, relating it back over here and in the Netherlands; we're still working through the precise attribution between ourselves and Fortis; I'll need to follow up on that.

**James Alexander:** Okay, thank you.

**Operator:** Your next question is from Simon Maughan of MF Global; please go ahead.

**Simon Maughan:** Good morning; I was wondering if you controlled the MPC would you be cutting rates today.

**Sir Fred Goodwin:** I think that goes into the same basket as James' question, it sounds like another hospital park. I think it is idle to speculate, Simon, because we're going to know the answer in 2¼ hours I think. So, as ever, it's possible for reasonable people to differ on these subjects, but I would predict it will be somewhere between no change and a rate cut.

**Simon Maughan:** Do you think the UK needs a rate cut when you look at the performance of your loan book?

**Sir Fred Goodwin:** I think if you were looking at the performance of our loan book, no you wouldn't; the performance of the UK loan book is very good; the good credit cost continues to reduce; corporate is steady. So no you wouldn't, but I don't think that's where you would look for a sign of what you would do with interest rates, by the time it gets through into provisioning in the loan book, you've rather missed the inflection point I think.

**Simon Maughan:** Thanks.

**Operator:** Your next question is from Simon Samuels of Citigroup; please go ahead.

**Simon Samuels:** Good morning; it's Simon Samuels here from Citi. I just had a few questions actually; I think a couple of them probably can just be knocked off very quickly. But the first is are there any write-downs taken directly to reserves i.e. essentially classified as AFS rather than on the face of the P&L that we should be aware of?

**Guy Whittaker:** No, there are no exposures in the Bank to these sorts of instruments.

**Simon Samuels:** Secondly, other than the already identified £300 million write-down, are there any other fair value adjustments for the ABN acquisition that we're likely to see, I guess realistically they are at the trading update, the full year results or the report and account stage?

**Sir Fred Goodwin:** Nothing too drastic at this point, Simon; there are heres and theres, but there's nothing that's caught the eye at this point.

**Simon Samuels:** These questions are slightly more substantive: one is just going back to Tom's question on RWA growth; I think you described it, Fred, as being kind of low double digits; first of all I assume you are talking.....

**Sir Fred Goodwin:** It's extremely low double digits; almost as low as you could get and still be in double digits.

**Simon Samuels:** And that's obviously the stand-alone RBS isn't it?

**Guy Whittaker:** Yes.

**Simon Samuels:** Yes, and there's no "funny trend" on the ABN RWAs if you see what I mean?

**Sir Fred Goodwin:** No; there are no hidden messages here at all.

**Simon Samuels:** The last question is; and I just wanted to check, well here's the maths and then maybe you can just comment on whether it's correct, or whether I've missed something. You talk about your RBS group Tier 1 ratio - which by the way I assume is the pro forma Tier 1 - being comfortably within a 7-8% range. So if you just went to the mid point, 7.5 and I think, but I might have misheard this that Guy said that the non-equity elements of that Tier 1 will be around 40%. So just working that out, you can suggest that the equity Tier 1 ratio at the end of the year is about 4.5%. Yet I think Guy suggested it was lower than that; I just wondered if you can comment on whether there is a mistake in the maths there, or I've misheard something?

**Guy Whittaker:** The maths is, broadly correct; if you look at the Group number published, the gearing actually will be slightly lower than the 40% at year-end.

**Simon Samuels:** So the non-equity Tier 1 will be slightly below 40%?

**Guy Whittaker:** Non-equity Tier 1 one will be slightly below 40% on the maths you've just done there, yes.

**Simon Samuels:** Okay; thank you very much.

**Operator:** Your next question is from Jason Napier of Deutsche Bank; please go ahead.

**Jason Napier:** Good morning gentlemen; just a very brief and I'm sure quite simple question; do you have a number for total assets, net assets and intangibles acquired pursuant to the ABN deal please?

**Sir Fred Goodwin:** Not at this point, no.

**Jason Napier:** None of the three?

**Sir Fred Goodwin:** Not that we are sharing with people at this point. There is nothing to write home about, but there's not....

**Guy Whittaker:** There's no change to the earlier guidance that was given there.

**Jason Napier:** Okay. Thank you.

**Operator:** Your next question is from Mike Trippitt of Oriel Securities. Please go ahead.

**Mike Trippitt:** Good morning again; I just wondered if you could talk a bit about the UK retail business; and you talked about a cautious approach in mortgage and direct unsecured. I suppose I'm really just interested in what you see as any early indicators on '08 either in terms of arrear stats, or I suppose really just your feeling at the moment about the UK consumer business going forward?

**Sir Fred Goodwin:** Those are in quite good shape at the moment, Mike, to tell you the truth. It's turned the corner. I think we saw at last year's full year results, and certainly the interims very clearly, that the credit cost was coming down in that business and that the impetus was being taken up by deposit growth, growth in bank assurance, business banking business picking up and those are very much themes that are echoed in the results; wealth management going along gang busters as well. So retail feels as if it is actually in quite a good place and has turned the corner and its dependency on unsecured lending as a big driver diminished. And mortgages, as you know, have never

been a big earnings driver for us; we dabbled a couple of years ago in the intermediary market and gave up on the grounds of poor returns for all the effort involved. We've got quite a nice mortgage business that we do with our own customers through the branches, but it's not a big contributor to our earnings in the business. It's been a good year for retail, and very tight cost controls as well; big deposit inflows.

**Mike Trippitt:** Great. Thank you.

**Operator:** Your next question is from Derek Chambers of Standard and Poor's Equity. Please go ahead.

**Derek Chambers:** Good morning; could I ask questions in two areas? One is, integration costs; clearly you have some integration costs for the previous half-year's business; I just wondered if you could update on where you expect those to be; and second you have in the past given some indications of total integration costs for ABN Amro and I wondered if you've got anything to say about how you expect to allocate that into '07?

**Sir Fred Goodwin:** I guess the legacy integration number, Derek, is very, very small. I'm trying to think of what it would be; a few tens of millions of pounds I think is the number. At the time of the July offer we said we had made a sort of integration provision of approximately twice the cost synergy, so about €2.7bn and we haven't changed any of that guidance since then.

**Derek Chambers:** And you're putting that into the 2007 results or in future periods?

**Sir Fred Goodwin:** Those do add in, that goes below the line as incurred.

**Guy Whittaker:** Placed as incurred over '08, '09, '10.

**Derek Chambers:** So there'll be a minimal impact on the 2007 numbers?

**Sir Fred Goodwin:** Oh yes, there's very little that has been spent in relation to ABN Amro in 2007, very little indeed, the figures Guy is referring to are throwbacks to previously, I think Ulster Bank and First Active spring to mind as well as a small acquisition to the US last year.

**Derek Chambers:** Could I also ask about insurance; have you changed your estimates of the flood costs in the summer and also in terms of revenue growth, have you continued to be slowed down by taking on less business from other parties?

**Sir Fred Goodwin:** The flood costs probably nudged up slightly from where it was a few tens of million pounds up from the numbers we talked about back at the interim results. We are seeing our own brand business is moving nicely; the partnership business through which we service policies on behalf of other people who sell them, we're seeing some declines in their business.

**Derek Chambers:** Thank you.

**Operator:** Your next question is from Samuel Lopez Arancio of Goldman Sachs Asset Management; please go ahead.

**Samuel Arancio:** You mentioned that you have a 12–13 billion exposure to LBO and around 4 billion for CMBS; I understand this is for RBS only. Could you give us the number for ABN Amro please? And the second question is the exposure to Alt A for both, RBS and ABN Amro please?

**Guy Whittaker:** It gives me a chance to answer the open question from earlier. The CMBS at ABN is a very small number; bare minimum.

**Samuel Arancio:** And LBO?

**Guy Whittaker:** And the average of the LBO loan is less than two billion.

**Samuel Arancio:** Thank you; and the Alt A for both please.

**Guy Whittaker:** Alt A number for ABN is around 4; the Alt A RBS number is around \$5.

**Samuel Arancio:** \$5 and 4.

**Guy Whittaker:** \$5, yes.

**Samuel Arancio:** \$4 for ABN as well.

**Guy Whittaker:** And all investment grade.

**Samuel Arancio:** Thank you.

**Guy Whittaker:** You're welcome.

**Operator:** Your next question is from Leigh Goodwin of Fox-Pitt Kelton. Please go ahead.

**Leigh Goodwin:** Morning again: just following on from what Mike Trippitt was asking on the UK; and I was just interested that I didn't know whether there is any change in the guidance you've given it. So at the half way stage of the year; when I think you thought that maybe you could put your foot on the gas a bit more in the UK; you were feeling more confident about the outlook there and I wondered whether you're really signalling today a change in that view? And the second question is, really just in relation to the unsecured consumer credit card impairments. You're signalling a further decline in the second half of the year; I wondered whether you could give us some idea when you expect that decline, maybe to bottom out; should we be thinking that it will continue to decline all the way through next year, or that maybe you foresee a bottoming out at some point next year?

**Sir Fred Goodwin:** On that last point, Leigh, I think first of all our costs have never got anything like as high as the markets; so coming back to our normal level is probably a shorter journey for us than it is for some others. But we would expect to see them continuing to decline, certainly into the first half of next year, as ever depending on the rate of decline, depending when the decline stops. But it's moving backwards quite noticeably as a cost and a drag, which is (a) what we expected and (b) a welcome reinforcement of the quality of that business. And UK growth generally; yes, the retail bank is moving on well; it's just growing in different areas from where it grew before; it's not as dependant as it was on unsecured lending. It actually feels a better model probably going forward. So a strong deposit growth and strong growth in business banking, wealth management growing very strongly; retail feels fine, so it's onwards and upwards.

**Leigh Goodwin:** That's fine; I just wondered whether you'd reassessed your view at all on asset growth there, or whether you had actually just adopted a more cautious stance than you had when you spoke to us in August. So whether it's essentially the same stance as you had then?

**Sir Fred Goodwin:** I think at that stage, there were issues about whether to go the mortgage route; more to do with levels of funds rather than levels of concerns in terms of our asset quality; and that would remain the case. And I think that it will be interesting to see the shake out in the market; how pricing in some of these products go when pricing picks up. We've got no inherent aversion to mortgages if the price is right, but at this stage we feel fairly cautious about the margins that are out there, there's not a lot of scope for error, and mortgages and unsecured credit are not businesses where we feel like having the foot firmly on the gas. But as to retail banking in the UK, yes we've put the foot on the gas.

**Leigh Goodwin:** That's fine, thank you.

**Operator:** Your next question comes from Simon Taylor of Standard Life; please go ahead.

**Simon Taylor:** Morning again gentlemen; sorry, I had the phone on mute, that was helpful. Just returning to the retail consumer business; you've mentioned that you've seen growth in bank assurance and wealth management; have you formed a view yet as to what sort of impact retail distribution review is going to have on those businesses?

**Sir Fred Goodwin:** Not directly and I think whatever the outcome of retail distribution is, we seem to sit at the heart of retail distribution. So if someone comes up with a much better idea as to how that's going to be done, we'll be interested to see it; but the model we've got at the moment places a lot of onus on us and makes selling difficult; it's a highly process intensive activity, which we are able to do well and prosper at. It seems to me if there was any thrust of where we are going with retail distribution, seems to me to make the products more accessible to a wider group of people for that to actually work. It seems to us that we need to actually make the process more straightforward, and in that eventuality I think we are very well placed with our large retail distribution network in the UK to benefit from it. Difficult to see them making it any harder than it currently is to sell these products.

**Simon Taylor:** Thank you.

**Operator:** Your next question is from Robert Law of Lehman Brothers; please go ahead.

**Robert Law:** Yes, good morning everybody; can I have a couple of questions please? Firstly, on your comments on ABN Amro, could you give us some indication as to what the profitability has been of the businesses you are acquiring since the half year?

**Sir Fred Goodwin:** Not specifically at this point, Robert, but confirming that ABN's own forecast is being achieved; we're not saying anything more specific than that at this point. Suffice to say I wouldn't be sitting here telling you that the earnings accretion and return on investment was going to be better than we thought, if there was anything untoward in there.

**Robert Law:** And on the capital position of the Group; the indications you've given of 7-8%, is that for RBS consolidating the businesses you ultimately will acquire, or is that for the whole Group including ABN fully consolidated?

**Guy Whittaker:** That's for the whole Group fully consolidated and as it will be at the end of this year and obviously as we move through the transition various elements will go to their eventual owners and those ratios will change; that will be the Group consolidated number at the end of the year.

**Robert Law:** Could you give us some guidance....

**Sir Fred Goodwin:** Sorry Robert; in relation to that we have not assumed in this guidance that Antonveneta's sale actually goes through before the year-end.

**Robert Law:** Right; could you give us some indication as to where your capital ratios would stand if you calculated it on a basis of the ultimate split of the ABN businesses?

**Sir Fred Goodwin:** We'd need to forecast another couple of years profit to do that, Robert. We have acquired this whole business; it is a whole subsidiary of ours; it will not be getting separated until we're able to effect a separation which will be a couple of years from now before all the bits leave it. So I am not sure what that figure amounts to at this point because I'm not sure what is relevant at this point.

**Guy Whittaker:** I think you would expect us to maintain our capital strengths from here through the transition and be well capitalised at the conclusion as well.

**Robert Law:** Your commentary that you will be some 40% in terms of leverage; what does that imply for minority interest? So equity type minority interests; are you including that in leverage, or in the core equity number?

**Guy Whittaker:** That is in the core number.

**Sir Fred Goodwin:** The leverage is simply the preference shares.

**Robert Law:** Okay, thank you.

**Operator:** Your next question is from James Alexander of M&G. Please go ahead.

**James Alexander:** Hi Fred; just wanted to come back on one thing, the broader picture question. We all know you are very busy buying ABN Amro and running Royal Bank yourself, and looking after the American business; but you are still the CEO of the largest UK bank. And I'm just hoping you might be able to say something about the robustness of the UK banking system, because I think that is an issue for generalists. I know we are all specialists on the call, but there is an issue for generalist fund managers in the wider

market about the UK banking system, given what happened at Northern Rock. And just interested in you saying something about UK banking; I go round seeing quite a lot of European banks and I get quite a lot of robust comments about their own banking systems; but I think there's a question over the UK one and I'm hoping that you might be able to say something a bit more general about the UK banking system?

**Sir Fred Goodwin:** One of the reasons that I think we're able to deliver results like we're pointing to today, is the fact that I do the former part of the role that you described by concentrating on Royal Bank and our interests and keep away from commenting on the industry. And I'm not trying to be difficult, James, but I don't think I've got any unique insight to provide here into what is happening in the industry in the UK. I think the Royal Bank is in good shape. I actually think most of our peers are in good shape too and you've seen their trading updates and trading statements. I do think the Northern Rock situation was regrettable - no doubt about it - and I can't think anyone would think that it was anything other than that.

It was a great pity too, that it would have to happen, that the pictures of the queues forming outside the branch would have to happen on the day that Hank Paulson was actually here, which I'm sure did nothing to slow down the TV coverage of it around the world. I think it has impacted on the prestige of London a little bit as a financial services centre, but it's still the financial services centre of the world as far as I am concerned, and I'm sure will come through this. It would be good to get the Northern Rock thing dealt with quickly, but I don't think we should see Northern Rock out of context; I don't think it greatly detracts from the strength of the major UK financial institutions.

**James Alexander:** Okay.

**Operator:** Your next question is from Mark Durling of Brewin Dolphin Ltd; please go ahead.

**Mark Durling:** Mark Durling, Brewin Dolphin; good morning Fred. The question I have is do you think that Ricky Hatton will beat Floyd Mayweather on Saturday night?

**Sir Fred Goodwin:** I've no idea; I was quite surprised to see a picture of him in the press today; he does seem considerably smaller than his opponent.

**Mark Durling:** Just some of the diatribe I've read in the last three months about your exposure to sub-prime has been quite frustrating; but on another note, on the SME market, I've read just recently that obviously with the credit crunch where it's going that especially for smaller businesses anyway, that round about the million pound loan mark, that those

rates are going from 6.5% to round about 8.5, 9%; are you seeing any stress coming through in that particular area of the market?

**Sir Fred Goodwin:** Not at this point Mark; not at this stage.

**Mark Durling:** On the RBS insurance, you talk about the improving risk profile, is that where premiums are rising, or is that just less is underwritten?

**Sir Fred Goodwin:** A bit of both; premiums are definitely going up and also I think if we have set volumes as the target you can inhale business that you don't necessarily want; we've been much more selective in the risks that we are taking on.

**Mark Durling:** Okay, I'm very happy about the pay out ratio, so thank you very much.

**Operator:** As there are no further questions, I will turn the call back to Sir Fred for closing remarks. Thank you.

**Sir Fred Goodwin:** Well thanks everyone for calling in and for the range of questions; I'm sure in the course of the day there will be others. And you know just to give us a call and we'll try and answer them for you. I think just to recap; it looks as if the RBS business, excluding ABN Amro, is heading to operating profit and earnings per share for '07, well ahead of market consensus. Our capital ratios will be comfortably within the target ranges that we set out before; the deterioration in the second half does amount to £950 million, but it has been offset by the disposals that we've planned, the disposals that we spoke of. Net of the disposals and write-downs, we still expect to be comfortably ahead of consensus. ABN Amro will be in line with previous guidance after taking mark-downs on a basis consistent with RBS and the integration is progressing well. I think it's a moment in time just to reflect on the diversity of the Group and the consequent ability to deliver good results and a fairly consistent underlying earnings trajectory. The acquisition of ABN Amro has rarely seemed more attractive and relevant than it does at this point and enhances that diversity and gets us into some rapidly expanding markets.

But thanks for calling and happy to try and answer any more questions in the course of the day, if there is anything you want to ask me. Thank you very much.

**Operator:** Ladies and gentlemen that will conclude today's conference. Thank you for your participation, you may disconnect.